MEMO

To: **Regional Council**
Executive Committee
Transportation and Communications Committee

From: Charles Keynejad, Senior Regional Planner
Environmental Planning Division, Planning and Policy Department
(213) 236-1915 or keynejad@scag.ca.gov

Date: August 18, 2003

RE: **Financial Constraint and Transportation Conformity**

RECOMMENDED ACTION: Information Only

SUMMARY: Due to the State Budget shortfall, the federal agencies released a letter requiring the affected Metropolitan Planning Organization (MPO) to examine the Financial Plan of its Regional Transportation Improvement Programs (RTIP) before requesting any new RTIP amendment. This Memo analyzes conformity implications and the associated issue resulting from this federal action on the current 2002 RTIP and the upcoming 2004 Regional Transportation Plan (RTP).

BACKGROUND:
On August 8, 2003, the Federal Highway Administration (FHWA) California Division and the Federal Transit Administration (FTA) Region IX in a joint letter communicated to Caltrans and informed the State and all Metropolitan Planning Organizations (MPOs) of the required financial constraint for the current TIPs. Caltrans and SCAG must provide the updated financial information sufficient to demonstrate that the 2002 RTIP is financially constrained before the federal agencies approve any new RTIP amendments. A copy of the federal agencies' letter is attached.

The federal agencies' August 8 letter was in response to the State Budget signed by Governor Davis on August 2, 2003. The State Budget includes suspension of a statewide $856 million in the Transportation Congestion Relief Program (TCRP) funds, to be repaid with interest by 2009. TCRP funds were included in SCAG's 2001 Regional Transportation Plan (RTP) and the 2002 RTIP, which are the federally approved and conforming documents for project implementation.

TCRP Funds – TCM and Non-TCM Projects
Each county in the SCAG region has at least one project in the 2002 RTIP to be funded with TCRP funds. The TCRP funding shortfalls will adversely impact those projects funded in part or fully through this program, the Transportation Control Measures (TCMs) and non-TCM projects. The TCM projects are those transportation activities and facilities that reduce emissions and congestion, such as the transit projects, high occupancy vehicle (HOV) lanes, and rideshare program.

All TCM projects funded in part or fully with TCRP funds are in the South Coast Air Basin portion of the region. SCAB covers the urbanized portions of the Los Angeles, Riverside and San Bernardino Counties and the entire Orange County.

SCAG's 2002 RTIP (a six-year program) shows $1.855 billion of the TCRP funds invested in both TCM and non-TCM projects, of which $1.4 billion is programmed for TCM projects. A total of $1.3 billion of the TCRP funds are programmed in the first two years – fiscal years 2002/03 and 2003/04 of the 2002 RTIP on TCM and non-TCM projects, of which $924 million are on TCM projects.

TCRP Funds by County for TCM and Non-TCM Projects in the SCAG Region (Programmed in 2002 RTIP - in $1,000)

County	FY 2002/03	FY 2003/04	FYs 04/05-07/08	Total 6-Year RTIP
Imperial	3,527	000	1,000	4,527
Los Angeles	398,679	484,803	461,895	1,345,377
Orange	166,500	39,730	53,670	259,900
Riverside	33,640	14,260	26,100	74,000
San Bernardino	53,703	70,140	32,195	156,038
Ventura	1,500	000	13,500	15,000
Total	**657,549**	**608,933**	**588,360**	**1,854,842**
TCRP Fund as % of Projects' total	**38 %**	**57 %**	**36 %**	**42 %**

TCRP Funds by County for TCM Projects in the SCAB Area (Programmed in 2002 RTIP - in $1,000)

County	FY 2002/03	FY 2003/04	FYs 04/05-07/08	Total 6-Year RTIP
Los Angeles	307,750	422,284	439,995	1,170,029
Orange	94,100	35,630	43,670	173,400
Riverside	24,000	000	000	24,000
San Bernardino	15,000	25,000	000	40,000
Total	**440,850**	**482,914**	**48,665**	**1,407,429**
TCRP funds as % of TCM Projects' total	**30 %**	**53 %**	**33 %**	**37 %**

Fiscal Constraint

The federal agencies (FHWA and FTA) require that the MPOs and Caltrans demonstrate that the first two years (2002/03 and 2003/04) of the current 2002 RTIPs are fiscally constrained for all projects – TCM and non-TCM projects.

Timely Implementation of TCMs and 2004 RTP Conformity Finding

To pass the conformity tests for the 2004 RTP and the 2004 RTIP in the SCAB area, SCAG and its projects sponsors must demonstrate compliance with the timely implementation of TCMs. This means that all TCM projects in the first two years (fiscal years 2002/03 and 2003/04) of the 2002 RTIP must be reported as funded and on schedule.

To implement the TCM projects and maintain fiscal constraint, SCAG and the County Transportation Commissions must reallocate funds from other sources to cover losses from the TCRP funds in the first two fiscal years of the 2002 RTIP. This is a daunting task in the short term, which may require amending the 2002 RTIP. In the long term, the State Budget indicates all TCRP funds will be repaid with interest by the year 2009.

Impact to SCAG Region

The impact of the FHWA letter to the SCAG region is that SCAG's amendment #02-04, which was transmitted to the funding agencies on July 28, is delayed until SCAG can demonstrate a financially constrained FTIP. In addition, SCAG staff is currently completing its review of amendment #02-06, which consists of approximately 350 projects.

In addition, SCAG staff along with staff from some of the commissions are members of the Regional Transportation Planning Agencies' (RTPA) Financial Constraint Task Force, which is identifying a financial constraint strategy. The task force is targeting August 29 as the date to have its recommendation to the RTPA group at large.

As a result of discussions at the August 18 task force meeting SCAG staff is working to divide the SCAG amendment referenced above into two groups. The first group is projects that meet administrative amendment criteria and can be submitted without delay to Caltrans for approval. The second group is projects that must be submitted as a formal amendment and require Caltrans and federal funding agency approval.

SCAG also asked the task force to investigate the possibility of submitting a formal amendment by air basin versus on a regional basis as conveyed by FHWA to SCAG staff. This may allow projects to move forward within certain areas of the SCAG region.

Another solution for the region may be to pursue the possibility of short-term inter-county loans to meet the financial constraint requirement and move projects forward.

In conclusion, SCAG staff is actively pursuing a solution and an expeditious resolution to this issue and is working closely with county commissions/Imperial county staffs and the funding agencies to develop a financially constrained FTIP in order to move projects forward.

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION
CALIFORNIA DIVISION
980 Ninth Street, Suite 400
Sacramento, CA. 95814-2724

August 8, 2003

IN REPLY REFER TO
HDA-CA
Document #: S43461

Mr. Jeff Morales, Director
California Department of Transportation
1120 N Street
Sacramento, CA 95814

Attention: Federal Resources Office, Room 3500
For Jim Nicholas, Transportation Programming

Dear Mr. Morales:

SUBJECT: Financial Constraint of the Federal Statewide Transportation Improvement Program

Each time the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) approve an amendment to the Federal Statewide Transportation Improvement Program (FSTIP), FHWA/FTA must determine that the FSTIP, including the proposed amendment, is financially constrained. When the FHWA/FTA approved the current FSTIP and made our conformity determinations on October 4, 2002, the State and MPOs had demonstrated that the funding for the FSTIP, including the MPOs TIPs, was committed and available and therefore the FSTIP was financially constrained. Since the State's newly adopted budget contains provisions that impact transportation funding, previous financial assumptions may no longer be valid. Therefore before FHWA/FTA approve any new amendments to the FSTIP, the State and MPO will need to provide updated financial information sufficient to demonstrate that the FSTIP, including the MPO's TIP, is financially constrained.

The impact of the State budget may affect each region's transportation program differently. As the State or MPO contemplates amendments to the FSTIP, FHWA/FTA will continue to work with the State and MPO to determine the financial information needed. If the State or MPO makes no amendments to the FSTIP, no additional financial information will be needed.

We will continue work closely with everyone to resolve this issue. If you have any questions, please contact K. Sue Kiser of the FHWA at (916) 498-5009 or Ray Sukys of the FTA at (415) 744-2802.

Sincerely,

/s/ Leslie Rogers
Leslie Rogers
Regional Administrator
Federal Transit Administration

/s/ Gary Hamby
Gary N. Hamby
Division Administrator
Federal Highway Administration

cc:
Caltrans:
Brian Smith
Kris Balaji

All MPOs:
Butte (BCAG)
Fresno (COFCG)
Kern (KCOG)
Kings
Madera
Merced (MCAG)
Monterey (AMBAG)
Sacramento (SACOG)
San Diego (SANDAG)
San Francisco (MTC)
San Joaquin (SJCOG)
San Luis Obispo (SLOCOG)
Santa Barbara (SBCAG)
Shasta (Shasta RTPA)
Southern California (SCAG)
Stanislaus (StanCOG)
Tahoe (TMPO)
Tulare (TCAG)